

103 KAR 16:110. Apportionment and allocation; pipeline companies.

RELATES TO: KRS 141.120

STATUTORY AUTHORITY: KRS Chapter 13A

NECESSITY, FUNCTION, AND CONFORMITY: This administrative regulation, under authority of KRS 141.120(10)(b), specifies how the factors for apportioning the income of interstate pipeline companies are to be determined.

Section 1. General. (1) Business income of multistate pipeline companies shall be apportioned to Kentucky by multiplying the income by a weighted fraction, the numerator of which is the weighted sales factor (fifty (50) percent) plus the weighted property factor (twenty-five (25) percent) plus the weighted payroll factor (twenty-five (25) percent), and the denominator of which is four (4).

(2) Nonbusiness income shall be allocated to Kentucky pursuant to KRS 141.120(3) through (7) and 103 KAR 16:060.

Section 2. Sales Factor. (1) Gas transmission pipelines. Sales means operating revenues as defined by the Federal Energy Regulatory Commission. Sales are assigned under the provisions of KRS 141.120(8)(c).

(2) Crude oil pipelines. Sales means operating income as defined by the Federal Energy Regulatory Commission. The sales factor is a fraction, the numerator of which is operating income assigned to Kentucky, and the denominator of which is total operating income. Kentucky operating income is determined as follows: total operating income shall be multiplied by a fraction the numerator of which is barrel miles in Kentucky and the denominator of which is total barrel miles. A "barrel mile" means one (1) barrel of liquid transported one (1) mile.

Section 3. Property Factor. The property factor of gas transmission pipelines and crude oil pipelines shall be determined under the provisions of KRS 141.120(8)(a).

Section 4. Payroll Factor. The payroll factor of gas transmission pipelines and crude oil pipelines shall be determined under the provisions of KRS 141.120(8)(b). (IC-11; 1 Ky.R. 224; eff. 1-8-75; Am. 15 Ky.R. 272; eff. 9-22-88; 20 Ky.R. 2874; eff. 5-18-94.)